



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/9/2002

GAIN Report #MX2110

## **Mexico**

### **Agricultural Situation**

#### **Weekly Highlights & Hot Bites, Issue #25**

**2002**

Approved by:

William L. Brant

U.S. Embassy Mexico

Prepared by:

Benjamin Juarez and Salvador Trejo

---

#### **Report Highlights:**

**GOM To Defend Farmers with "Agriculture Armor"\*Mexico To Import Milk  
Based Preparations\*Ignacio Chapela Requests Protection of Genetic  
Diversity\*GOM Stays Upbeat On Expansion**

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

### **GOM TO DEFEND FARMERS WITH "AGRICULTURE ARMOR"**

On August 8, 2002, the Government of Mexico (GOM) unveiled a suit of so-called "agriculture armor," a program of pro-farming strategies, to defend the nation's ailing agriculture sector from cheap food imports. "With all the force of the state, we face up to the opening of the frontiers and the application of protectionist policies," said Agriculture Secretary Javier Usabiaga, in a speech colored with military metaphors. Speaking alongside Secretary Usabiaga, Economy Secretary Luis Ernesto Derbez said the new "armor" would consist of the government fighting for the international elimination of farm subsidies at the World Trade Organization (WTO); the "intelligent" use of legal mechanisms to help national producers match foreign competition; and public and private financing to foment the development of national producers. Farmers have had to contend with more foreign competition since the 1994 North American Free Trade Agreement (NAFTA) reduced tariffs on U.S. and Canadian imports. Furthermore, in the next phase of NAFTA in 2003, tariffs will be eliminated on all U.S. and Canadian food imports except corn, sugar and milk. Farming lobbies such as the National Agriculture Council (CNA) have been campaigning for the United States to reduce its farm subsidies, which the CNA say give U.S. food imports an unfair advantage. The U.S. farm law, passed in May 2002, increased agricultural subsidies to an estimated 190 billion dollars over the next 10 years. On August 8, 2002, Secretary Usabiaga said the U.S. farm law would "probably prolong and delay the recovery." Secretary Derbez stated that Mexico will be "the leader" in fighting to eliminate subsidies at the WTO. In July 2002, the United States proposed that all nations slash farm subsidies to 5-percent of their country's total farm output, a cut that would eradicate an estimated 100 billion dollars in farm aid around the world. However, Marcos Chavez, an economist at *Colegio de Mexico*, said he doubted richer nations would agree to sever their handouts to farmers. "The governments of the United States and Europe listen to their farmers first and to the developing world second," he said. Chavez also said the government temporarily should reinstate pre-NAFTA tariffs on food products. (Source: *El Financiero*; *Reforma*; *The News*, 8/9/02)

### **MEXICO TO IMPORT MILK BASED PREPARATIONS**

On September 5, 2002, at 11:00 AM, Mexico's Secretariat of Economy (SE) will conduct an auction for permits (*cupos*) to the Mexican private sector to import 2,204,000 Kgs. of milk powder duty-free. This auction is in keeping with Mexico's commitments under the WTO agreement and the NAFTA. FAS NOTE: This is NOT an invitation for bids to purchase dry milk products. Rather, it is an auction for the right to import the listed products duty free. Thus, the auction is limited to Mexican companies within the dairy products industry who use milk based preparations in their production process. That fact notwithstanding, it impacts U.S. dairy exporters in that those Mexican importers

who are granted the *cupos* will be looking for product to fill the permit shortly after the auction, if not earlier. END NOTE. (Source: *Diario Oficial*, 8/8/02)

## IGNACIO CHAPELA REQUESTS PROTECTION OF GENETIC DIVERSITY

According to Ignacio Chapela, the legislation on biosafety, which is being analyzed in the Mexican Congress, will have as one of its main premises the recognition that Mexico's farmers preserve and provide the world very important genetic diversity. This genetic diversity is fundamental in the development of foods and medicines, and would be at risk if field experimentation and production of transgenic crops is continued. Ignacio Chapela is a researcher at University of California Berkeley and the author of a report, published some months ago in the Journal *Nature*, alleging the discovery of transgenic corn in Oaxaca. He explained that in Mexico there exists "a very perverse system" which is designed to distance farmers from their activity, so that they cannot compete in the market in terms of volume and which does not recognize them as owners and safeguards of Mexico's genetic diversity. "This is the first point that the new biosafety law will have to consider," Chapela said.

The new law biosecurity law should preserve the *campesinos'* wealth (genetic diversity) as a social asset and should cautiously take into account the warnings that if Mexico does not participate in the development of transgenics, it will lose out in the economic sense. "But who is going to lose economically?", was the question posed by Chapela. "Not the farmers," he indicated. Chapela also pointed out that "it is evident that Mexican farmers will never be able to compete against a highly subsidized agricultural production as that of the United States. "But farmers have a much bigger asset: the genetics," he said. Consequently, the new biosafety law should compensate and protect Mexican farmers for this reason. Despite the fact that Chapela considers that the liberation of genetically modified organisms (GMOs) in the field is beneficial for Mexico, he also said that it implies erosion risks for native seed varieties and biodiversity. "We should not confuse the social value with the economic value. The fact that something produces great economic benefits, doesn't mean that it will produce social benefits." Ignacio Chapela noted that the biosafety law should take into account the social value. Also, according to Chapela, the new law should contain sanctions and compensations, making GMO companies responsible for any negative effects which may occur. Chapela insisted that the new law should move totally away from the U.S. position. "In the United States, the Food and Drug Administration (FDA), as well as the Environmental Protection Agency (EPA) and the Department of Agriculture (USDA) regulate GMOs based on the concept of substantial equivalence and ignore the possibilities of negative transgenic occurrences outside of its own territory, such as the possible agricultural/ecological impact of transgenic corn in Oaxaca. Currently, the Mexican Congress is discussing five different biosafety initiatives, but legislators are working to define, as soon as possible, a single bill to be voted on. (Source: *El Financiero*, 8/5/02)

## GOM STAYS UPBEAT ON EXPANSION

On August 5, 2002, the Government of Mexico (GOM) said the economy will grow between 3.5 and 4-percent during the second half of the year, despite slow growth during the first six months in Mexico and that of its chief trading partner, the United States. The GOM will not revise its original growth estimate for 2002 of 1.7 percent, said Andres Conesa, director of financial planning at the Finance Secretariat, at a press conference. The economy shrank 2-percent in the first quarter, and on August 2, 2002, the GOM said preliminary data showed growth of approximately 2-percent

during the second quarter compared to the same period last year. With zero growth for the first six months, Conesa said the economy would have to grow between 3.5 and 4-percent during the second half of the year to meet official estimates. Conesa said the rate was "feasible." Mexico's recovery is dependent mostly upon the rebound of the U.S. economy, which buys over 85 percent of Mexican exports. While the United States posted positive growth in the first two quarters of the year, gains in the second quarter was lower than expected. Weak economic data in the third quarter has led some economists to warn the U.S. recovery is faltering and could take another dive. (Source: *The News*, 8/6/02)

#### REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

REPORT #	TITLE	DATE
MX2106	Weekly Highlights & Hot Bites, Issue #24	8/2/2002
MX2107	Pork Imports From the U.S. Exceed 2002 Safeguard	8/5/2002
MX2108	Mexico's Monthly Crop Update, July 2002	8/6/2002
MX2109	Auction of Permits to Import Milk Powder Based Preparations Set for September 5, 2002	8/8/2002

We are available at <http://www.atomexico.gob.mx> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

#### FAS/MEXICO EMAIL

To reach us at FAS/Mexico City, email us at:

[AgMexico@fas.usda.gov](mailto:AgMexico@fas.usda.gov) and/or [ATOMexico@fas.usda.gov](mailto:ATOMexico@fas.usda.gov).